

Message Text

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ORIGIN EA-14

INFO OCT-01 ADP-00 PM-07 DODE-00 EB-11 L-03 CIAE-00 INR-10

NSAE-00 RSC-01 MC-02 IGA-02 AID-20 OMB-01 TRSE-00

COME-00 H-03 /075 R

DRAFTED BY EA/IMS:TJCHEAVNER:LGR

8-8-73 EXT 21236

APPROVED BY EA - ARTHUR W. HUMMEL, JR.

PM/PA - MR. FORD

DOD/ISA/DSAA - CAPT. CANTACUZENE

EB/IFD/ODF - MISS HAWKINS

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R 081953Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 156506

E.O. 11652: GDS

TAGS: MASS, MILI, ID

SUBJECT: SMALL ARMS FACILITY

REF: A) JAKARTA 9164; B) JAKARTA 3017.

1. BELIEVE LINE YOU TOOK REFTTEL IS IN ACCORD WITH MAP REALITIES AND BEST RESPONSE THAT COULD BE GIVEN NOW.
2. WE NOTE THAT REQUEST FOR SMALL ARMS FACILITY WAS AT LEAST AT ONE POINT REGARDED BY GOI AS REQUEST FOR ADD ON TO PRESENT MAP LEVELS (REF B). YOU SHOULD LEAVE GOI IN NO DOUBT THAT ASIDE FROM POSSIBLE INCREASED USE OF EDA AND POSSIBLE CONCESSIONAL SALES SUCH AS DE'S, THERE IS ALMOST NO PROSPECT, FOR INCREASE IN MILITARY ASSISTANCE THIS YEAR. ON CONTRARY, OUTLOOK FOR FY-74 IS THAT WE WILL DO WELL TO MAINTAIN PRESENT LEVELS.
3. ASIDE FROM FUNDING PROBLEMS, USE OF GRANT FUNDS TO

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FINANCE CONSTRUCTION OF FACILITIES WHICH COMPETE WITH U.S.

MANUFACTURING PLANTS IS CONTRARY TO MAP POLICY, AND WE WOULD ONLY MAKE AN EXCEPTION IF PROJECT WERE BOTH VIABLE ECONOMICALLY AND ESSENTIAL POLITICALLY. THIS POLICY IS BASED ON OUR DESIRE TO MAKE MOST EFFECTIVE USE OF OUR LIMITED MAP FUNDS, AND NOT TO JEOPARDIZE MAP WORLDWIDE BY ACTIONS WHICH COULD HAVE ADVERSE REPERCUSSIONS IN CONGRESS.

4. SUGGEST YOU MIGHT WISH RAISE QUESTION OF THIS PROJECT DIRECTLY WITH HASNAN HABIB, CITING YOUR MEETING WITH MERSCH, IN ORDER CLARIFY GOI INTENTIONS ON MAP AND DAMPEN GOI EXPECTATIONS OF MAP ASSISTANCE FOR THIS PROJECT. IF HABIB PERSISTS, WE WILL NEED COMPLETE DETAILS ON PROJECT BEFORE WE COULD CONSIDER IT FOR EVEN TOKEN MAP ASSISTANCE.

5. AS REGARDS POSSIBILITY COMMERCIAL FINANCING, THIS WILL BE GOI DECISION. WE ARE CONCERNED, HOWEVER, AT THE POSSIBLE IMPACT OF COMMERCIAL LOAN OF THIS MAGNITUDE FOR MILITARY PURPOSES. WHILE FACILITY MIGHT HAVE OTHER PRODUCTIVE USES, WE STILL FEAR THE ADDITIONAL MEDIUM TERM DEBT WOULD BE HARD TO JUSTIFY IN IMF, IGGI CONTEXT. IT COULD ALSO SERVE TO UNDERCUT RESTRAINTS RECENTLY IMPOSED ON PERTAMINA BORROWING. AT YOUR DISCRETION WE THINK THESE RESERVATIONS MIGHT BE CONVEYED TO APPROPRIATE GOI LEADERS WITH HOPE THAT AT VERY LEAST PROJECT WILL BE PART OF RATIONAL ECONOMIC PLANNING PROCESS, NOT RPT NOT OPENING OF PANDORA'S BOX OF MILITARY AND PERTAMINA DEMANDS FOR MORE BORROWING.

6. DEFENSE CONCURS. ROGERS

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NNN

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